

Message Text

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PAGE 01 NEW DE 02077 111515Z

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ACTION NEA-13

INFO OCT-01 EUR-25 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 SS-20 DODE-00

PA-04 USIA-15 PRS-01 SAM-01 NSC-10 DRC-01 L-03 H-03

FEA-02 INT-08 SCI-06 IO-14 AGR-20 SWF-02 /225 W

----- 123094

R 111430Z FEB 74

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 9634

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

AMEMBASSY LONDON

OECD PARIS 1079

C O N F I D E N T I A L NEW DELHI 2077

E.O. 11652: GDS

TAGS: EAID ETRD IN

SUBJECT: BRITISH AID TO INDIA

SUMMARY: RECENT VISIT TO INDIA BY BRITISH SELECTCOMMITTEE ON AID POLICY GAVE BRITISH OPPORTUNITY REVIEW BRITISH-INDIAN AID RELATIONS AND GOI'S VIEW OF INDIA'S ECONOMIC OUTLOOK. INDIAN OFFICIALS MADE EXPECTED PLEA FOR MORE AND UNTIED AID AND DEBT RESCHEDULING. PETROLEUM PROBLEM WILL LEAD TO REWRITE OF FIFTH FIVE YEAR PLAN.
END SUMMARY

A. HOUSE OF COMMONS SELECTCOMMITTEE ON ECONOMIC DEVELOPMENT HEADED BY SIR BERNARD BRAINE VISITED INDIA FROM JANUARY 30 TO FEBRUARY 7. THE FOLLOWING ARE THE HIGHPOINTS OF THE VISIT AS REPORTED TO US BY BRITISH HIGH COMMISSION OFFICIALS.

1. BILATERAL AID. THERE WAS INCREASING INTERNAL RESISTANCE IN THE
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PAGE 02 NEW DE 02077 111515Z

BRITISH BUREAUCRACY TO THE LARGE SHARE OF BILATERAL AID FURNISHED

TO INDIA. THE HIGH COMMISSION WAS SEEKING TO MAINTAIN PRESENT LEVELS OF AID WITH, PERHAPS, MARGINAL INCREASES. THE UK WAS MAINTAINING ITS POLICY OF CONTINUING AID PROGRAMS DESPITE INTERNAL DIFFICULTIES BUT THIS POLICY WAS COMING UNDER INCREASING ATTACK.

2. THE SELECT COMMITTEE HAD URGED AN INCREASED FOCUS OF AID ON ASSISTANCE TO THE DISADVANTAGED. GOVERNMENT (AND HIGH COMMISSION) POLICY REMAINED THAT SUCH ATTEMPTS, HOWEVER WELL INTENTIONAL, WERE FUTILE. UK WOULD NOT UTILIZE AID TO PAY LOCAL COSTS FOR DEVELOPMENT PROGRAMS SINCE, IN EFFECT, THIS SIMPLY CONSTITUTED AN UNTIED FOREIGN EXCHANGE LOAN WHILE DOMESTIC RESOURCES WERE AVAILABLE FOR THESE TYPES E.G. AGRICULTURE, FAMILY PLANNING, OF PROGRAMS, (SEE NEW DELHI'S 2000 FOR REPORT ON CURRENT BRITISH PROGRAMS). UK HAD MADE LONG STANDING OFFER TO FUNDS FOR FAMILY PLANNING BUT GOI HAD NOT ACCEPTED OFFER. ISSUE WAS DOMESTIC POLICY RATHER THAN ANY LACK OF KNOW-HOW OR FOREIGN EXCHANGE.

3. INDIAN ECONOMY: PETROLEUM PRICE INCREASE MADE REVISION OF THE FIFTH FIVE YEAR PLAN NECESSARY. HEAVIER EMPHAIS WOULD BE LAID ON AGRICULTURE AND EXPORT INDUSTRIES IN ORDER TO DEAL WITH SITUATION.

4. BALANCE OF PAYMENTS: GOI DOUBTED THAT ARABS WOULD BE PREPARED TO MAKE ANY SPECIAL FINANCIAL ARRANGEMENTS FOR INDIA OR THE DEVELOPING COUNTRIES IN GENERAL. GOI WOULD LIKE UK TO UNTIE ITS AID (UK POSITION REMAINS THAT IT IS WILLING TO UNTIE IF OTHER DO). IF UK COULD NOT UNTIE REQUEST WAS MADE FOR UK AT LEAST TO UNTIE FOR PROCUREMENT IN OTHER DEVELOPING COUNTRIES.

5. GOPI KAUL, SECRETARY DEA, MINISTRY OF FINANCE, HAD TOLD COMMITTEE THAT HE, "SPEAKING PERSONALLY AND NOT FOR THE GOI", HAD BEEN CONSIDERING PROPOSING A ONE YEAR MORATORIUM ON DEBT REPAYMENTS AT THE NEXT CONSORTIUM MEETING. THIS ISSUE WAS NOT FURTHER DISCUSSED.

6. TRADE AND INVESTMENT: BRITISH HAD NOTICED THAT GOI WERE NOW APPROVING FOREIGN INVESTMENT AND LICENSING PROPOSALS, SOME OF WHICH HAD BEEN DORMANT FOR MANY YEARS, SO LONG AS THEY WERE RELATED TO EXPORT EXPANSION. GOI WAS CLEARLY MAKING EFFORTS TO PROMOTE EXPORTS BUT MANY PROBLEMS, E.G., POWER AND RAW MATERIAL SHORTAGES, CONFIDENTIAL

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PAGE 03 NEW DE 02077 111515Z

LABOR UNREST, REMAINED.
SCHNEIDER

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Disposition Approved on Date:
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Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
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Drafter: n/a
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Executive Order: GS
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